RAS AL KHAIMAH CO. FOR WHITE CEMENT & CONSTRUCTION MATERIALS P.S.C. AND SUBSIDIARIES

Consolidated financial statements and independent auditor's report for the year ended 31 December 2017

RAS AL KHAIMAH CO. FOR WHITE CEMENT &
CONSTRUCTION MATERIALS P.S.C. AND SUBSIDIARIES

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INDEPENDENT AUDITOR'S REPORT

The Shareholders of
Ras Al Khaimah Co. for White Cement & Construction Materials P.S.C.
Ras Al Khaimah
United Arab Emirates

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of **Ras Al Khaimah Co. for White Cement & Construction Materials P.S.C. ("the Company") (a Public Shareholding Company) and its Subsidiaries (together "the Group") - Ras Al Khaimah, United Arab Emirates** which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other requirements that are relevant to our audit of the Group's consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Ras Al Khaimah Co. for White Cement & Construction Materials P.S.C. (continued)

Key Audit Matters (continued)

Key audit matters	How our audit addressed the key audit matters.
Impairment of trade receivable As at 31 December 2017, trade receivables were AED 63.07 million against which impairment provision of AED 2.3 million was recorded (Note 8 to the consolidated financial statements). The management exercises significant judgement when determining both when and how much to record as trade receivable impairment provision. Because of the significance of these judgements and the materiality of trade receivables, the audit of trade receivables impairment provision is a key area of focus.	Our procedures to test the impairment of trade receivables included the following: We reviewed and challenged the information used to determine the provision for impairment of trade receivable by considering the cash collection performance against historical trends and the level of change in the provision over time. Specifically, we reviewed the subsequent collection and securities held by the Group against the customers who have exceeded their credit limit and were not impaired. We also tested the production of the data used in the ageing report and agreed on samples, this data back to its source and recalculated provision in accordance with policy.
Allowance for slow moving and obsolete inventories Note 7 to the consolidated financial statements discloses various types of inventories that are reported at the lower of cost of net realizable value. Assessing net realizable value of inventory is an area of significant judgement, in particular with regard to the estimation of allowance for slow-moving and obsolete inventory. The management has relied upon their experience, physical verification, operational condition and understanding of the nature and use of spare parts, and has accordingly made estimations for allowance for slow moving and obsolete inventory. Since significant judgement is involved in assessing the required allowance, we have identified this as a key area of focus.	Our procedures to test the management estimate of allowance for slow moving and obsolete inventory included the following: • Held meetings with management to understand the procedures undertaken by them as part of the inventory review and assessment of allowance for slow moving and obsolete items. • Verified the physical existence and good condition of a randomly selected representative sample of the inventory. • Tested the valuation of year-end inventory, including challenging judgements taken regarding obsolescence and net realizable value provisions, and historical usage and future usage expectation.

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Ras Al Khaimah Co. for White Cement & Construction Materials P.S.C. (continued)

Other Information

The Board of Directors and management is responsible for the other information. The other information comprises the annual report of the Group. We obtained the Directors' report prior to the date of this auditor's report and the remaining information of the annual report is expected to be made available to us after that date. The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining information of the annual report of the Group, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and their preparation in compliance with the applicable provision of UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors and Audit Committee are responsible for overseeing the Group's financial reporting process.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Ras Al Khaimah Co. for White Cement & Construction Materials P.S.C. (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosure is inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Ras Al Khaimah Co. for White Cement & Construction Materials P.S.C. (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law and regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that:

i) we have obtained all the information we considered necessary for the purposes of our audit;

ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;

iii) the Group has maintained proper books of account;

iv) the financial information included in the Directors' report is consistent with the books of account of the Group;

v) as disclosed in note 6 to the consolidated financial statements the Group has purchased or invested in shares during the financial year ended 31 December 2017;

vi) note 22 to the consolidated financial statements discloses material related party transactions, and the terms under which they were conducted;

vii) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2017 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Company, its Articles of Association which would materially affect its activities or its financial position as at 31 December 2017; and

viii) note 28 reflects the social contributions were made during the year ended 31 December 2017.

Deloitte & Touche (M.E.)

Signed by:
Samir Madbak
Registration No. 386
3 March 2018
Sharjah, United Arab Emirates

Consolidated statement of financial position
at 31 December 2017

	Notes	2017 AED	2016 AED
ASSETS			
Non-current assets			
Property, plant and equipment	5	587,622,682	605,846,861
Investments carried at fair value through other comprehensive income (FVTOCI)	6	260,023,072	318,543,309
Total non-current assets		847,645,754	924,390,170
Current assets			
Inventories	7	107,277,578	106,731,012
Trade and other receivables	8	66,064,754	90,624,757
Investments carried at fair value through profit or loss (FVTPL)	6	48,185,055	53,303,619
Bank balances and cash	9	33,345,935	40,572,429
Total current assets		254,873,322	291,231,817
Total assets		1,102,519,076	1,215,621,987
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	10	500,157,000	500,157,000
Reserves	11	207,780,994	201,697,354
Cumulative changes in fair value (FVTOCI)		2,411,141	64,348,546
Retained earnings		57,580,003	78,077,716
Total equity		767,929,138	844,280,616
Non-current liabilities			
Provision for employees' end of service indemnity	12	8,884,393	8,702,681
Bank borrowings	14	166,587,286	198,361,484
Total non-current liabilities		175,471,679	207,064,165
Current liabilities			
Finance lease liability	13	-	1,804,911
Bank borrowings	14	51,285,784	48,284,000
Trade and other payables	15	107,832,475	114,188,295
Total current liabilities		159,118,259	164,277,206
Total liabilities		334,589,938	371,341,371
Total equity and liabilities		1,102,519,076	1,215,621,987

Chairman **General Manager**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of income
for the year ended 31 December 2017

	Notes	2017 AED	2016 AED
Revenue	16	**253,174,916**	307,043,198
Cost of sales	17	**(206,198,190)**	(242,971,919)
Gross profit		**46,976,726**	64,071,279
Selling, general and administrative expenses	18	**(27,110,487)**	(29,279,265)
Investment income	20	**7,962,916**	10,831,047
Other income	19	**9,978,372**	1,874,958
Finance costs		**(7,389,326)**	(5,295,119)
Profit for the year		**30,418,201**	42,202,900
Basic earnings per share	21	**0.06**	0.08

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income
for the year ended 31 December 2017

	2017 AED	2016 AED
Profit for the year	**30,418,201**	42,202,900
Other comprehensive loss		
Items that will not be reclassified subsequently to profit or loss		
Decrease in fair value of investments carried at FVTOCI	**(66,437,405)**	(8,861,819)
Loss on disposal of investments carried at FVTOCI	**(620,499)**	(74,447)
Other comprehensive loss for the year	**(67,057,904)**	(8,936,266)
Total comprehensive (loss)/income for the year	**(36,639,703)**	33,266,634

The accompanying notes form an integral part of these consolidated financial statements.

**RAS AL KHAIMAH CO. FOR WHITE CEMENT &
CONSTRUCTION MATERIALS P.S.C. AND SUBSIDIARIES**

**Consolidated statement of changes in equity
for the year ended 31 December 2017**

	Share capital AED	Reserves AED	Cumulative changes in fair value (FVTOCI) AED	Retained earnings AED	Total AED
Balance at 31 December 2015	500,157,000	193,256,774	73,210,365	80,400,833	847,024,972
Profit for the year	-	-	-	42,202,900	42,202,900
Other comprehensive loss	-	-	(8,861,819)	(74,447)	(8,936,266)
Total comprehensive income for the year	-	-	(8,861,819)	42,128,453	33,266,634
Dividends paid	-	-	-	(35,010,990)	(35,010,990)
Transfer to statutory and voluntary reserve (Note 11)	-	8,440,580	-	(8,440,580)	-
Board of Directors' remuneration	-	-	-	(1,000,000)	(1,000,000)
	-	8,440,580	-	(44,451,570)	(36,010,990)
Balance at 31 December 2016	500,157,000	201,697,354	64,348,546	78,077,716	844,280,616

The accompanying notes form an integral part of these consolidated financial statements.

RAS AL KHAIMAH CO. FOR WHITE CEMENT & CONSTRUCTION MATERIALS P.S.C. AND SUBSIDIARIES

Consolidated statement of changes in equity for the year ended 31 December 2017 (continued)

	Share capital AED	Reserves AED	Cumulative changes in fair value (FVTOCI) AED	Retained earnings AED	Total AED
Balance at 31 December 2016	500,157,000	201,697,354	64,348,546	78,077,716	844,280,616
Profit for the year	-	-	-	30,418,201	30,418,201
Other comprehensive loss	-	-	(66,437,405)	(620,499)	(67,057,904)
Total comprehensive loss for the year	-	-	(66,437,405)	29,797,702	(36,639,703)
Dividends paid (Note 23)	-	-	-	(37,511,775)	(37,511,775)
Transfer to statutory and voluntary reserve (Note 11)	-	6,083,640	-	(6,083,640)	-
Transfer of loss on disposal of equity investment at FVTOCI to retained earnings	-	-	4,500,000	(4,500,000)	-
Board of Directors' remuneration	-	-	-	(2,200,000)	(2,200,000)
	-	6,083,640	4,500,000	(50,295,415)	(39,711,775)
Balance at 31 December 2017	**500,157,000**	**207,780,994**	**2,411,141**	**57,580,003**	**767,929,138**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of cash flows
for the year ended 31 December 2017

	2017 AED	2016 AED
Cash flows from operating activities		
Profit for the year	**30,418,201**	42,202,900
Adjustments for:		
Depreciation of property, plant and equipment	**34,654,905**	31,708,363
Gain on disposal of property, plant and equipment	**(70,347)**	(326,703)
Reversal of allowance for doubtful debt	**546**	-
Provision for employees' end of service indemnity	**883,991**	1,015,849
Unrealised loss/(gain) on investment at FVTPL	**3,108,167**	(2,197,746)
Investment income	**(11,071,083)**	(8,633,301)
Finance costs	**7,389,326**	5,295,119
Operating cash flows before changes in operating assets and Liabilities	**65,313,706**	69,064,481
Decrease in trade and other receivables	**24,559,457**	35,072
(Increase)/decrease in inventories	**(546,566)**	4,896,236
(Decrease)/increase in trade and other payables	**(7,638,860)**	4,386,434
Cash generated from operations	**81,687,737**	78,382,223
Employees' end of service indemnity paid	**(702,279)**	(2,535,233)
Finance cost paid	**(7,898,389)**	(6,708,894)
Net cash generated from operating activities	**73,087,069**	69,138,096

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of cash flows
for the year ended 31 December 2017 (continued)

	2017 AED	2016 AED
Cash flows from investing activities		
Purchase of property, plant and equipment	**(16,006,210)**	(84,513,720)
Proceeds on disposal of property, plant and equipment	**213,301**	503,897
Dividend received	**10,752,683**	12,229,999
Purchase of investments in securities	**(27,031,198)**	(17,611,344)
Proceeds on disposal of investments in securities	**20,791,708**	17,007,445
Interest received	**30,620**	13,742
Net cash used in investing activities	**(11,249,096)**	(72,369,981)
Cash flows from financing activities		
Board of Directors' remuneration paid	**(2,200,000)**	(1,000,000)
Repayment of finance lease liability	**(1,804,911)**	(10,593,045)
Decrease in bank overdraft	**-**	(4,905,598)
Term loan obtained	**21,012,478**	124,731,599
Repayment of term loan	**(49,784,892)**	(37,040,746)
Dividends paid	**(36,287,142)**	(33,150,368)
Net cash (used in)/generated from financing activities	**(69,064,467)**	38,041,842
Net (decrease)/increase in cash and cash equivalents	**(7,226,494)**	34,809,957
Cash and cash equivalents at the beginning of the year	**40,572,429**	5,762,472
Cash and cash equivalents at the end of the year (see Note 9)	**33,345,935**	40,572,429

Non-Transaction

During the year, the Group entered into a share swap agreement and swapped un-quoted shares designated as FVTOCI amounting to AED 6,069,752 for quoted shares designated as FVTPL for the same amount which is not reflected in the statement of cash flows since this is a non-cash transactions.

The accompanying notes form an integral part of these consolidated financial statements.

**Notes to the consolidated financial statements
for the year ended 31 December 2017**

1. General information

Ras Al Khaimah Co. for White Cement & Construction Materials P.S.C., Ras Al Khaimah (the "Company") is incorporated as a public shareholding company by Emiri decree number 13/18 dated 2 October 1981 issued by His Highness The Ruler of Ras Al Khaimah. The address of the Company's registered office is P. O. Box 1492, Ras Al Khaimah, United Arab Emirates.

The "Group" comprises Ras Al Khaimah Co. for White Cement & Construction Materials P.S.C. and its Subsidiaries (Note 3.3).

The principal activities of the Group is manufacturing and supply of white cement, lime products and cement products and investing, establishing and managing similar activities.

2. Application of new and revised International Financial Reporting Standards ("IFRSs")

2.1 New and revised IFRSs applied with no material effect on the consolidated financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2017, have been adopted in the consolidated financial statements.

The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to IAS 12 *Income Taxes* relating to the recognition of deferred tax assets for unrealised losses.
- Amendments to IAS 7 *Statement of Cash Flows* to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.
- Annual Improvements to IFRS Standards 2014–2016 Cycle – Amendments to IFRS 12 *Disclosure of Interests in Other Entities.*

2.2 New and revised IFRSs in issue but not yet effective

The Group has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1 *First-time Adoption of International Financial Reporting Standards* and IAS 28 *Investments in Associates and Joint Ventures (2011).*	1 January 2018
Annual Improvements to IFRS Standards 2015–2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23.	1 January 2019

2. Application of new and revised International Financial Reporting Standards ("IFRSs") (continued)

2.2 New and revised IFRSs in issue but not yet effective (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
IFRIC 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
The interpretation addresses foreign currency transactions or parts of transactions where: • there is consideration that is denominated or priced in a foreign currency; • the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and • the prepayment asset or deferred income liability is non-monetary.	
IFRIC 23 *Uncertainty over Income Tax Treatments*	1 January 2019
The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: • Whether tax treatments should be considered collectively; • Assumptions for taxation authorities' examinations; • The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and • The effect of changes in facts and circumstances.	
Amendments to IFRS 2 *Share-Based Payment* regarding classification and measurement of share based payment transactions.	1 January 2018
Amendments to IFRS 4 *Insurance Contracts*: Relating to the different effective dates of IFRS 9 *Financial Instruments* and the forthcoming new insurance contracts standard.	1 January 2018
Amendments to IAS 40 *Investment Property*: Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.	1 January 2018

2. Application of new and revised International Financial Reporting Standards ("IFRSs") (continued)

2.2 New and revised IFRSs in issue but not yet effective (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Finalised version of IFRS 9 [IFRS 9 Financial Instruments (2014)] was issued in July 2014 incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition. This amends classification and measurement requirement of financial assets and introduces new expected loss impairment model.	1 January 2018

- **Impairment**: The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.
- **Hedge accounting**: Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition**: The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

A new measurement category of fair value through other comprehensive income (FVTOCI) will apply for debt instruments held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets.

A new impairment model based on expected credit losses will apply to debt instruments measured at amortised costs or FVTOCI, lease receivables, contract assets and certain written loan commitments and financial guarantee contract.

2. Application of new and revised International Financial Reporting Standards ("IFRSs") (continued)

2.2 New and revised IFRSs in issue but not yet effective (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 9 *Financial Instruments*: Relating to prepayment features with negative compensation. This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.	1 January 2019
Impact assessment of IFRS 9 *Financial Instruments*	
The Company has in previous years adopted the first phase of IFRS 9 with regards to classification and measurement of financial instruments and plans to adopt the final phase of IFRS 9 (impairment and hedge accounting) on the required effective date from 1 January 2018.	
Impairment:	
The Group expects to apply the simplified approach to recognise lifetime expected credit losses for its trade receivables as required or permitted by IFRS 9. Accordingly, the directors expect to recognise lifetime expected credit losses for these items respectively. In general, the directors anticipate that the application of the expected credit loss model of IFRS 9 will result in earlier recognition of credit losses for the respective items. However, this will not result in a material impact on the Group's consolidated financial statements.	
IFRS 15 *Revenue from Contracts with Customers*	1 January 2018
In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.	
The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. Specifically, the standard introduces a 5-step approach to revenue recognition.	

Notes to the consolidated financial statements for the year ended 31 December 2017 (continued)

2. Application of new and revised International Financial Reporting Standards ("IFRSs") (continued)

2.2 New and revised IFRSs in issue but not yet effective (continued)

New and revised IFRSs	**Effective for annual periods beginning on or after**
IFRS 15 *Revenue from Contracts with Customers (continued)*	

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

Impact assessment of IFRS 15 Revenue from Contracts with Customers

Management has preliminarily assessed that sale of goods represents a single performance obligation and accordingly, revenue will be recognised for the performance obligation when control over the corresponding goods is transferred to the customer. The timing of revenue recognition of this performance obligation will be at a point in time for sale of goods when the goods are delivered to the customer. Accordingly, no impact will be observed on revenue recognition for the Group in 2018.

IFRS 16 *Leases*	1 January 2019

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

Impact assessment of IFRS 16 *Leases*

A preliminary assessment indicates that this standard will not have a significant impact on the Group's consolidated financial statements.

2. Application of new and revised International Financial Reporting Standards ("IFRSs") (continued)

2.2 New and revised IFRSs in issue but not yet effective (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 15 *Revenue from Contracts* with Customers to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.	1 January 2018
Amendments to IAS 28 *Investment in Associates and Joint Ventures*: Relating to long-term interests in associates and joint ventures. These amendments clarify that an entity applies IFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	1 January 2019
Amendments to IFRS 7 *Financial Instruments: Disclosures* relating to disclosures about the initial application of IFRS 9.	When IFRS 9 is first applied
IFRS 7 *Financial Instruments: Disclosures* relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9.	When IFRS 9 is first applied
IFRS 17 *Insurance Contracts*	1 January 2021
IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021.	
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements for the period of initial application and adoption of these new standards, interpretations and amendments, except for IFRS 9, IFRS 15 and IFRS 16 as highlighted in previous paragraphs, have no material impact on the financial statements of the Group in the period of initial application.

Management anticipates that IFRS 15 and IFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2018 and that IFRS 16 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2019.

3. Significant accounting policies

3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") and applicable requirements of the UAE Federal Law No. (2) of 2015.

3.2 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for the measurement at fair value of financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the assets or liability.

The Group presents its consolidated statement of financial position broadly in order of liquidity, with a distinction based on expectations regarding recovery or settlement within twelve months after the reporting date (current) and more than twelve months after the reporting date (non-current), presented in the notes.

The principal accounting policies adopted are set out below.

3.3 Basis of consolidation

The consolidated financial statements of Ras Al Khaimah Co. for White Cement & Construction Materials P.S.C. and Subsidiaries (the "Group") incorporate the financial statements of the Company and the entities controlled by the Company (its Subsidiaries).

3. Significant accounting policies (continued)

3.3 Basis of consolidation (continued)

Control is achieved when the Company:
- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement and consolidated statement of other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. Significant accounting policies (continued)

Subsidiaries:

Details of the Company's subsidiaries at 31 December 2017 and 2016 are as follows:

Name of subsidiary	Proportion of ownership interest	Country of incorporation	Principal activities
Modern Block Factory Establishment	100%	U.A.E.	Manufacturing of concrete blocks, interlock tiles and cement products.
Ras Al Khaimah Lime Co. Noora LLC	100%	U.A.E.	Manufacturing of lime products.

3.4 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

3. Significant accounting policies (continued)

3.4 Business combinations (continued)

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

3.5 Goodwill

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit and loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

3. Significant accounting policies (continued)

3.5 Goodwill (continued)

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3.6 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

3.6.1 Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

3.6.2 Dividend and interest income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount.

3.7 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease liability.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

3. Significant accounting policies (continued)

3.7 Leasing (continued)

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense on a straight line basis over the shorter of the lease term or the estimated useful life of the asset.

3.8 Foreign currencies

The consolidated financial statements of the Group are presented in the currency of the primary economic environment in which the Group operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Arab Emirates Dirhams ("AED"), which is the functional currency of the Group and the presentation currency for the consolidated financial statements.

In preparing the consolidated financial statements of the Group, transactions in currencies other than the Group's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the year in which they arise.

3.9 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

3.10 Employee benefits

3.10.1 Defined contribution plan

U.A.E. national employees of the Group are members of the Government-managed retirement pension and social security benefit scheme pursuant to Federal Labour Law No. 7 of 1999. The Group is required to contribute 12.5% of the "contribution calculation salary" of payroll costs to the retirement benefit scheme to fund the benefits. The employees and the Government contribute 5% and 2.5% of the "contribution calculation salary" respectively, to the scheme. The only obligation of the Group with respect to the retirement pension and social security scheme is to make the specified contributions (12.5%). The contributions are charged to profit or loss.

3. Significant accounting policies (continued)

3.10 Employee benefits (continued)

3.10.2 Annual leave and leave passage

An accrual is made for the estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by eligible employees up to the end of the year.

3.10.3 Provision for employees' end of service benefits

Provision is also made for the full amount of end of service benefit due to non-UAE national employees in accordance with the UAE Labour Law and is based on current remuneration and their period of service at the end of the reporting period.

The accrual relating to annual leave and leave passage is disclosed as a current liability, while the provision relating to end of service benefit is disclosed as a non-current liability.

3.11 Property, plant and equipment

Land is carried at cost.

Properties under construction for production or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Other property, plant and equipment, are stated at their cost, less any subsequent accumulated depreciation and any subsequent identified impairment losses.

Depreciation is charged so as to write off the cost of assets, other than properties under construction and land, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Maintenance, renewals and betterments which enhance the economic life of the asset its capacity, improving the quality of output or reducing substantially operating costs are capitalised.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. Significant accounting policies (continued)

3.11 Property, plant and equipment (continued)

The following useful lives are used in the calculation of depreciation:

	Years
Buildings	5 – 20
Plant and machinery	5 – 30
Tools and equipment	10 - 15
Vehicles	10 – 30
Furniture and fixtures	4

3.12 Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.13 Inventories

Finished products are stated at the lower of cost and net realisable value. Cost comprises raw materials, wages and industrial costs that contribute in transforming raw materials into finished products. Cost is calculated using the weighted average method.

Products in process are stated at the lower of cost and net realisable value. Cost comprises raw materials, wages and industrial costs that contribute in transforming raw materials into products in process.

**Notes to the consolidated financial statements
for the year ended 31 December 2017 (continued)**

3. Significant accounting policies (continued)

3.13 Inventories (continued)

Raw materials and consumable spare parts are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Inventories of bags, fuel and lubricants are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

3.14 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.15 Financial assets

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss (FVTPL), which are initially measured at fair value.

Financial assets of the Group are classified into the following specified categories: bank balances and cash, investments carried at fair value through other comprehensive income (FVTOCI) and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for financial assets other than those financial assets classified as at FVTPL.

3. Significant accounting policies (continued)

3.15.1 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3.15.2 Financial assets at FVTOCI

At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the cumulative changes in fair value reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the investments.

The Group has designated all investments in equity instruments that are not held for trading as at FVTOCI.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with IAS 18 Revenue, unless the dividends clearly represent a recovery of part of the cost of the investment.

3.15.3 Financial assets at FVTPL

Investments in equity instruments are classified as at FVTPL, unless the Group designates an investment that is not held for trading as at fair value through other comprehensive income (FVTOCI) on initial recognition.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognised in profit or loss.

3. Significant accounting policies (continued)

3.15 Financial assets (continued)

3.15.3 Financial assets at FVTPL (continued)

Dividend income on investments in equity instruments at FVTPL is recognised in profit or loss when the Group's right to receive the dividends is established in accordance with IAS 18 Revenue.

3.15.4 Loans and receivables

Loans and receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are initially measured at fair value, plus transaction costs and subsequently measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3.15.5 Impairment of financial assets

Financial assets, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been affected.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3.15.6 Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

3. Significant accounting policies (continued)

3.16 Financial liabilities and equity instruments issued by the Group

3.16.1 Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

3.16.2 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

3.16.3 Financial liabilities

Trade and other payables (excluding advances from customers), finance lease liability and bank borrowings are classified as 'other financial liabilities' and are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. Interest expense is recognised by applying the effective interest rate, except for short term payables when the recognition of interest would be immaterial.

3.16.4 Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

3.17 Dividend distribution

Dividend distribution to the Shareholders is recognised as liability in the consolidated financial statements in the period in which the dividends are approved by the Shareholders.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 3 to these consolidated financial statements, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The significant judgements and estimates made by management that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below:

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

4.1 Critical judgments in applying accounting policies

4.1.1 Classification of investments

Management designates at the time of acquisition of securities whether these should be classified as at FVTOCI or FVTPL. In judging whether investments in securities are as at FVTOCI or FVTPL, management has considered the detailed criteria for determination of such classification as set out IFRS 9 Financial Instruments. Management is satisfied that its investments in securities are appropriately classified.

4.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4.2.1 Impairment of trade receivables

An estimate of the collectible amount of trade receivables is made when collection of the full amount is no longer probable. This determination of whether these trade receivables are impaired, entails the Group evaluating, the credit and liquidity position of the customers, historical recovery rates and collateral requirements from certain customers in certain circumstances. The difference between the estimated collectible amount and the carrying amount is recognised as an expense in the profit or loss. Any difference between the amounts actually collected in the future periods and the amounts expected will be recognised in the profit or loss at the time of collection.

4.2.2 Inventories

Inventories are stated at the lower of cost or net realizable value. Adjustments to reduce the cost of inventory to its realisable value, if required, are made at the product group level for estimated excess, obsolescence or impaired balances. Factors influencing these adjustments include changes in demand, product pricing, physical deterioration and quality issues. Based on the above factors, the Group has arrived at certain percentages for allowance for slow moving and obsolete inventories. Revisions to these adjustments would be required if these factors differ from the estimates.

4.2.3 Property, plant and equipment

The cost of property, plant and equipment is depreciated over the estimated useful life, which is based on expected usage of the asset, expected physical wear and tear, the repair and maintenance program and technological obsolescence arising from changes and the residual value. The management has not considered any residual value of the property, plant and equipment as it is deemed immaterial.

**Notes to the consolidated financial statements
for the year ended 31 December 2017 (continued)**

5. Property, plant and equipment

	Land and buildings AED	Plant and machinery AED	Tools and equipment AED	Vehicles AED	Furniture and fixtures AED	Properties under construction AED	Total AED
Cost							
At 31 December 2015	48,612,294	571,185,701	14,114,880	31,920,604	2,204,453	45,983,542	714,021,474
Additions	620,698	4,008,230	196,400	-	805,139	80,700,865	86,331,332
Disposals	-	-	-	(1,036,511)	-	-	(1,036,511)
Transfers	-	1,533,308	-	-	-	(1,533,308)	-
At 31 December 2016	49,232,992	576,727,239	14,311,280	30,884,093	3,009,592	125,151,099	799,316,295
Additions	389,392	2,592,613	47,687	557,500	437,249	12,549,239	16,573,680
Disposals	-	-	-	(643,000)	-	-	(643,000)
Transfers	-	137,700,338	-	-	-	(137,700,338)	-
At 31 December 2017	**49,622,384**	**717,020,190**	**14,358,967**	**30,798,593**	**3,446,841**	-	**815,246,975**
Accumulated depreciation							
At 31 December 2015	6,399,101	123,309,972	9,717,390	21,353,825	1,840,100	-	162,620,388
Charge for the year	1,528,806	26,761,419	703,979	2,542,639	171,520	-	31,708,363
Eliminated on disposals	-	-	-	(859,317)	-	-	(859,317)
At 31 December 2016	7,927,907	150,071,391	10,421,369	23,037,147	2,011,620	-	193,469,434
Charge for the year	1,583,550	29,910,583	598,816	2,316,173	245,783	-	34,654,905
Eliminated on disposals	-	-	-	(500,046)	-	-	(500,046)
At 31 December 2017	**9,511,457**	**179,981,974**	**11,020,185**	**24,853,274**	**2,257,403**	-	**227,624,293**
Carrying amount							
At 31 December 2017	**40,110,927**	**537,038,216**	**3,338,782**	**5,945,319**	**1,189,438**	-	**587,622,682**
At 31 December 2016	41,305,085	426,655,848	3,889,911	7,846,946	997,972	125,151,099	605,846,861

**Notes to the consolidated financial statements
for the year ended 31 December 2017 (continued)**

5. Property, plant and equipment (continued)

At 31 December 2017, the cost of fully depreciated property, plant and equipment that was still in use amounted to AED 49,664,195 (2016: AED 34,346,599).

Property under construction in 2016 mainly represents expenditure incurred on the construction of the pet coke project.

Property, plant and equipment having a carrying amount of AED 50.82 million (2016: AED 77.63 million) is mortgaged to a bank against credit facilities provided to the Group (Note 14).

Plots of land on which, clinker and lime production facilities, administrative office buildings are constructed are situated in Ras Al Khaimah and owned by the Group.

Borrowing costs on funds specifically borrowed for obtaining the qualifying assets amounting to AED 567,470 have been capitalised during the current year (2016: AED 1,817,612).

6. Investments in securities

(i) Investments carried at fair value through other comprehensive income (FVTOCI)

	2017 AED	2016 AED
Quoted – at fair value	**258,012,442**	309,833,384
Unquoted – at fair value	**2,010,630**	8,709,925
	260,023,072	318,543,309
In U.A.E.	**183,810,182**	259,062,855
In other GCC countries	**76,212,890**	52,820,529
In other countries	**-**	6,659,925
	260,023,072	318,543,309

Notes to the consolidated financial statements for the year ended 31 December 2017 (continued)

6. **Investments in securities** (continued)

(ii) **Investments carried at fair value through profit or loss (FVTPL)**

	2017 AED	2016 AED
Quoted – at fair value	**48,185,055**	53,303,619
In U.A.E	**39,705,390**	42,611,458
In other GCC countries	**8,479,665**	10,692,161
	48,185,055	53,303,619

Movements in investments were as follows:

	2017 AED	2016 AED
Fair value at the beginning of the year	**371,846,928**	381,591,989
Purchased during the year	**33,100,949**	17,611,344
Disposal during the year	**(27,194,178)**	(20,692,332)
Decrease in fair value of investments carried at FVTOCI	**(66,437,405)**	(8,861,819)
Unrealised (loss)/gain on investments carried at FVTPL	**(3,108,167)**	2,197,746
	308,208,127	371,846,928

Investment in securities with a fair value of AED 198,132,105 (2016: AED 277,578,455) are pledged to the bank against credit facilities granted to the Group (Note 14).

During the year, the Group entered into a share swap agreement and swapped un-quoted shares designated as FVTOCI amounting to AED 6,069,752 for quoted shares designated as FVTPL for the same amount.

7. Inventories

	2017 AED	2016 AED
Finished goods	**16,105,671**	11,652,819
Raw materials	**3,012,294**	3,306,844
Work in progress	**57,870,708**	62,654,353
Bags, fuel and lubricants	**9,066,644**	7,238,000
	86,055,317	84,852,016
Spare parts - maintenance department	**28,093,547**	28,750,232
Allowance for slow-moving inventories	**(6,889,633)**	(6,889,633)
	21,203,914	21,860,599
Goods in transit	**18,347**	18,397
	107,277,578	106,731,012

8. Trade and other receivables

	2017 AED	2016 AED
Trade receivables	**63,073,725**	86,202,264
Allowance for doubtful debts	**(2,264,564)**	(2,265,110)
	60,809,161	83,937,154
Advances to suppliers	**2,566,502**	4,445,871
Prepaid expenses and other receivables	**2,689,091**	2,241,732
	66,064,754	90,624,757

Analysis of trade receivables are set out below:

	2017 AED	2016 AED
Secured against unconditional bank guarantees	**39,643,644**	31,184,660
Secured against letters of credit	**6,572,962**	6,664,810
Open Credit	**16,857,119**	48,352,794
	63,073,725	86,202,264

Notes to the consolidated financial statements
for the year ended 31 December 2017 (continued)

8. Trade and other receivables (continued)

The average credit period on sales of goods is 120 days (2016: 120 days).

Before accepting any new customer, the Group normally obtains bank guarantees from the potential customers. Of the trade receivable balance at the end of year an amount of AED 20 million (2016: AED 26 million) is due from the Group's largest customer. There is 1 (2016: 2) other customer who individually represent more than 10% of the total balance of trade receivables.

Included in the Group's trade receivable balance are debtors with a carrying amount of AED 21.34 million (2016: AED 18.96 million) which are past due at the reporting date for which the Group has not provided any allowance for doubtful debts as there has not been a significant change in the credit quality and the amounts are still considered recoverable.

Movements in allowance for doubtful debts are as follows:

	2017 AED	2016 AED
Balance at the beginning of the year	**2,265,110**	2,291,607
Amounts written off during the year	**-**	(26,497)
Reversal made during the year	**(546)**	-
Balance at the end of the year	**2,264,564**	2,265,110

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Since the trade receivables are secured against bank guarantees, the directors believe that no additional allowance is required.

Aging of past due and impaired trade receivables are as follows:

	2017 AED	2016 AED
Above 120 days	**2,264,564**	2,265,110

Notes to the consolidated financial statements
for the year ended 31 December 2017 (continued)

9. Bank balances and cash

	2017 AED	2016 AED
Cash on hand	**111,827**	203,171
Portfolio accounts	**373,468**	1,810,399
	485,295	2,013,570
Bank balances:		
Current accounts	**10,832,868**	9,680,863
Call deposits	**8,017,772**	10,697,996
Fixed deposits	**14,010,000**	18,180,000
	32,860,640	38,558,859
Cash and cash equivalents	**33,345,935**	40,572,429
Bank balances and cash:		
In U.A.E.	**31,887,945**	37,592,328
In other GCC countries	**1,457,990**	2,980,101
	33,345,935	40,572,429

10. Share capital

	2017 AED	2016 AED
Issued and fully paid: 500,157,000 ordinary shares of AED 1 each (31 December 2016: 500,157,000 ordinary shares of AED 1 each)	**500,157,000**	500,157,000

Notes to the consolidated financial statements for the year ended 31 December 2017 (continued)

11. Reserves

In accordance with the UAE Federal Law No. (2) of 2015 and the Company's Articles of Association, 10% of the profit for each year is transferred to the statutory reserve and another 10% to the voluntary reserve. The transfer to statutory reserve is suspended when its balance reaches 50% of the paid-up share capital. Statutory reserve is not available for distribution except as stipulated by the Law. The transfer to voluntary reserve may be suspended by the ordinary general assembly at the recommendation of the Board of Directors or when it reaches 20% of the Company's paid-up share capital.

	Statutory reserve AED	Voluntary reserve AED	Total AED
Balance at 31 December 2015	100,934,929	92,321,845	193,256,774
Movement during the year	4,220,290	4,220,290	8,440,580
Balance at 31 December 2016	105,155,219	96,542,135	201,697,354
Movement during the year	3,041,820	3,041,820	6,083,640
Balance at 31 December 2017	**108,197,039**	**99,583,955**	**207,780,994**

12. Provision for employees' end of service indemnity

Movements in the net liability were as follows:

	2017 AED	2016 AED
Balance at the beginning of the year	**8,702,681**	10,222,065
Amounts charged during the year	**883,991**	1,015,849
Amounts paid during the year	**(702,279)**	(2,535,233)
Balance at the end of the year	**8,884,393**	8,702,681

Notes to the consolidated financial statements
for the year ended 31 December 2017 (continued)

13. Finance lease liability

The Group entered into a sale and lease back arrangement with a leasing company registered in the United Arab Emirates to finance the clinker production plant. The finance charges are based on 3 months LIBOR plus a margin of 3.5% per annum. The term of the lease is 5 years with first repayment due on 1 March 2012. The payment due under leasing arrangement is as follows:

	Minimum lease payments 31 December		Present value of minimum lease payment 31 December	
	2017	2016	**2017**	2016
	AED	AED	**AED**	AED
Due within one year	-	1,813,488	-	1,804,911
Due in the second through fifth year	-	-	-	-
	-	1,813,488	-	1,804,911
Less: Future finance costs	-	(8,577)	-	-
	-	1,804,911	-	1,804,911

Included in the consolidated financial statements as:

	2017	2016
	AED	AED
Current portion of finance lease liability	-	1,804,911
Non-current portion of finance lease liability	-	-
	-	1,804,911

14. Bank borrowings

	2017 AED	2016 AED
Loans	**217,873,070**	246,645,484
Bank borrowings are repayable as follows:		
Within one year	**51,285,784**	48,284,000
In second to fifth year	**155,966,335**	163,959,199
After five years	**10,620,951**	34,402,285
	217,873,070	246,645,484
Less: Amount due for settlement within 12 months from the reporting date (shown under current liabilities)	**(51,285,784)**	(48,284,000)
Amount due for settlement after 12 months from the reporting date (shown under non-current liabilities)	**166,587,286**	198,361,484

- Long term loans include the following:

  a) An amount of AED 80,000,000 was obtained to finance 80% of the value of the installation and erection of the new pet coke conversion project and carries interest at 3 month EIBOR plus 2% margin. The loan will be repaid in 5 years on a quarterly installment, with a grace period of 1 year that commenced on 30 June 2015. As at 31 December 2017 the outstanding amount of the loan amounted to AED 50,823,199 (2016: AED 70,823,199).

  b) An amount of AED 225,000,000 was obtained to convert outstanding short term liabilities and suppliers' dues into medium term finance, during the prior year the limit of the bank loan was reduced to AED 210,000,000 and carries interest as follows:

     - for amount up to AED 168,751,285, interest shall be charged at 3 month EIBOR plus 1.7% margin.

     - for amounts drawn over AED 168,751,285 and up to AED 210,000,000, interest shall be charged at 3 month EIBOR plus 2% margin.

  The loan will be repaid in 8 years by quarterly installments, with a grace period of 1 year that commenced on 25 February 2015. As at 31 December 2017 the outstanding amount of the loan amounted to AED 167,049,871 (2016: AED 175,822,285).

Property, plant and equipment items having a carrying amount of AED 50.82 million (2016: AED 77.63 million) are pledged to a bank against above facilities granted by the bank until the end of facilities term or full settlement of the above credit facilities. In addition, bank borrowings are secured by a pledge over investments in securities with a fair value of AED 198,132,105 (2016: AED 277,578,455).

15. Trade and other payables

	2017 AED	2016 AED
Trade payables	**34,950,216**	28,764,912
Dividend payable	**41,300,555**	40,075,922
Advances from customers	**1,868,333**	1,387,124
Accrued expenses and other payables	**29,713,371**	43,960,337
	107,832,475	114,188,295

The average credit period on purchase of goods is 90 days (2016: 90 days). The Group has financial risk management policies in place to ensure that all payables are paid within the credit period time frame.

16. Revenue

An analysis of the Group's revenue is as follows:

	2017 AED	2016 AED
Local sales	**115,954,063**	119,750,929
Export sales	**137,220,853**	187,292,269
	253,174,916	307,043,198

Revenue includes AED 86.88 million - 34% from 5 customers (2016: AED 119.75 million – 39%, from 4 customers).

17. Cost of sales

	2017 AED	2016 AED
Raw material used in production	**34,004,737**	47,708,953
Spare parts and consumables used in production	**9,308,542**	8,827,836
Fuel, electricity and water	**82,738,760**	111,218,740
Payroll and related expenses	**24,380,042**	25,002,414
Other direct operating expenses	**21,481,077**	17,217,989
Depreciation of property, plant and equipment	**33,954,239**	31,090,543
Total manufacturing costs	**205,867,397**	241,066,475
Decrease in inventory of finished and work in progress	**330,793**	1,905,444
	206,198,190	242,971,919

18. Selling, general and administrative expenses

	2017 AED	2016 AED
Payroll and related expenses	**14,339,196**	15,358,763
Depreciation of property, plant and equipment	**700,666**	617,820
Others	**12,070,625**	13,302,682
	27,110,487	29,279,265

19. Other income

	2017 AED	2016 AED
Gain on disposal of property, plant and equipment	**70,347**	326,703
Gain on reversal of liability	**9,099,503**	-
Scrap sales	**651,483**	111,139
Others	**157,039**	1,437,116
	9,978,372	1,874,958

During the year, the Group recognised a gain on reversal of a liability amounting to AED 9,099,503 which pertained to an expected settlement with one of its contractors. The Board has approved the reversal as the obligation to pay is no longer probable.

20. Investment income

	2017 AED	2016 AED
Unrealised (loss)/gain on revaluation of investments carried at FVTPL	**(3,108,167)**	2,197,746
Dividend income	**10,752,683**	12,229,999
Interest income	**30,620**	13,742
Realised gain/(loss) on sale of investments carried at FVTPL	**287,780**	(3,610,440)
	7,962,916	10,831,047

Notes to the consolidated financial statements for the year ended 31 December 2017 (continued)

21. Basic earnings per share

	2017	2016
Profit for the year (in AED)	**30,418,201**	42,202,900
Number of shares	**500,157,000**	500,157,000
Basic earnings per share (in AED)	**0.06**	0.08

There were no potentially dilutive shares as at 31 December 2017 and 31 December 2016.

22. Related party transactions

The Group enters into transactions with companies and entities that fall within the definition of a related party as contained in International Accounting Standard No. 24: Related Party Disclosures. Related parties comprise companies and entities under common ownership and/or common management and control, their partners and key management personnel. Management decides on the terms and conditions of the transactions and services received/rendered from/to related parties as well as on other charges. Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

During the year ended 31 December 2017, there were no transactions with related parties other than the below disclosed transactions (2016: Nil).

Compensation of key management personnel:

	2017 AED	2016 AED
Board of Directors' remuneration	**2,200,000**	1,000,000
Short term benefits	**551,976**	840,528

23. Dividends

At the Board meeting held on 3 March 2018, the Board of Directors proposed a cash dividend of 5% amounting to AED 25.01 million in respect of the year ended 31 December 2017 (2016: cash dividend 7.5% amounting to AED 37.51 million). It has also been proposed that the Board of Directors' remunerations for the year ended 31 December 2017 to be AED 1.5 million (2016: AED 2.2 million).

The above is subject to the approval by the Shareholders at the Annual General Meeting and has not been included as a liability in these consolidated financial statements.

24. Commitments and contingent liabilities

	2017 AED	2016 AED
Letters of credit	**651,016**	9,677,843
Letters of guarantee	**66,700**	66,700
Commitments for the acquisition of property, plant and equipment	**4,961,250**	6,544,875

25. Capital risk management

The Group manages its capital to ensure that the Group entities will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debts and equity balance.

The capital structure of the Group consists of finance lease liability, bank borrowings, bank balances and cash and equity, comprising issued capital, reserves and retained earnings.

The Group reviews the capital structure on a semi-annual basis. As part of this review, the Group considers the cost of capital and the risks associated with capital. The Group does not have a formalised optimal target capital structure or target ratios in connection with its capital risk management objective.

26. Financial instruments

The Group is exposed to a range of financial risks through its financial assets and financial liabilities. In particular, the key financial risk is that in the long-term its investment proceeds are not sufficient to fund the obligations arising from its investment contracts. The most important components of this financial risk are interest rate risk, equity price risk, foreign currency risk and credit risk.

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the Group primarily faces due to the nature of its investments and financial liabilities are interest rate risk and equity price risk.

26.1 Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the consolidated financial statements.

Notes to the consolidated financial statements
for the year ended 31 December 2017 (continued)

26. Financial instruments (continued)

26.2 Categories of financial instruments

	2017 AED	2016 AED
Financial assets		
At amortised cost	**94,155,096**	125,260,028
At fair value	**308,208,127**	371,846,928
	402,363,223	497,106,956
Financial liabilities		
At amortised cost	**323,837,212**	361,251,566

26.3 Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and equity price risk.

Market risk exposures are measured using sensitivity analysis.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

26.4 Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2017 AED	2016 AED	**2017 AED**	2016 AED
US Dollars	**339,831**	658,736	**25,367,997**	31,360,321
Kuwaiti Dinar	-	-	**77,120,853**	52,909,839
Euro	**113,142**	142,462	**135,637**	-
JPY	**3,824**	41,446	-	346,610
SAR	**237,848**	175,382	**7,221,527**	7,704,521
QAR	-	-	**1,283,399**	4,749,411
GBP	-	1,854	-	-

26. Financial instruments (continued)

26.5 Foreign currency sensitivity analysis

The Group is mainly exposed to United States Dollars (USD), Kuwaiti Dinar, Saudi Riyal and Qatari Riyal. Based on the sensitivity analysis to a 10% increase or decrease in the AED against Kuwaiti Dinar, Saudi Riyal and Qatari Riyal the Group's profit for the year ended 31 December 2017 and equity as of and 31 December 2016 would have increased or decreased by approximately AED 8.53 million (2016: AED 6.51 million). There is no impact on USD because AED is pegged to USD and the Group has no material exposure against Euro, GBP and Japanese Yen. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

26.6 Interest rate risk management

The Group's exposure to interest rate risk is limited to fixed deposits and call deposits with banks at floating interest rates, finance lease liability and borrowings from banks at floating rates of interest linked to LIBOR. At 31 December 2017, bank fixed and call deposits carried an interest rate in the range of 0.10% to 0.40% per annum (31 December 2016: 0.30% to 0.50% per annum) and bank loans carried an interest rate in the range of 2.20% to 3.77% per annum (31 December 2016: 2.45% to 3.80% per annum).

If interest rates had been 50 basis points higher/lower throughout the year and all other variables were held constant, the Group's profit for the year ended 31 December 2017 and equity as at 31 December 2017 would have decreased/increased by approximately AED 1.09 million (2016: decrease/increase by AED 1.20 million).

26.7 Credit risk management

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management annually.

The credit risk associated with the Group's trade receivables is considered limited as the Group holds receivables amounting to AED 46.22 million (2016: AED 37.85 million) fully covered by unconditional bank guarantees and letters of credit to secure the collectability of these trade receivables. Ongoing credit evaluation is performed on the financial condition of trade receivable.

26. Financial instruments (continued)

26.7 Credit risk management (continued)

Credit risk with respect to concentration of trade receivables by geographical area is as follows:

	2017 AED	2016 AED
United Arab Emirates	**17,386,716**	29,010,841
Other Gulf Cooperation Council countries	**35,732,549**	47,626,686
Other countries	**9,954,460**	9,564,737
	63,073,725	86,202,264

At the reporting date, 4 customers accounted for 61% of total outstanding trade receivables (2016: 4 customers, 70%).

The credit risk on liquid funds is limited because the counter parties are banks registered in the U.A.E.

26.8 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Notes to the consolidated financial statements
for the year ended 31 December 2017 (continued)

26. Financial instruments (continued)

26.8 Liquidity risk management (continued)

The table below summarises the maturity profile of the Group's financial instruments. The contractual maturities of the financial instruments have been determined on the basis of the remaining period at the reporting date to the contractual maturity date. The maturity profile is monitored by management to ensure that adequate liquidity is maintained. The maturity profile of the assets and liabilities at the reporting date based on contractual repayment arrangements was as follows:

31 December 2017

	Less than 30 days	31-120 days	121-360 days	After 360 days	Total
	AED	AED	AED	AED	AED
Financial assets					
Investments at FVTOCI	-	-	-	260,023,072	260,023,072
Trade and other receivables	22,311,814	25,509,370	12,987,977	-	60,809,161
Investments at FVTPL	48,185,055	-	-	-	48,185,055
Bank balances and cash	33,345,935	-	-	-	33,345,935
	103,842,804	25,509,370	12,987,977	260,023,072	402,363,223
Financial liabilities					
Trade and other payables	71,013,926	34,950,216	-	-	105,964,142
Bank borrowings	5,750,446	12,821,446	32,713,892	166,587,286	217,873,070
	76,764,372	47,771,662	32,713,892	166,587,286	323,837,212

Notes to the consolidated financial statements for the year ended 31 December 2017 (continued)

26. Financial instruments (continued)

26.8 Liquidity risk management (continued)

31 December 2016

	Less than 30 days	31-120 days	121-360 days	After 360 days	Total
	AED	AED	AED	AED	AED
Financial assets					
Investments at FVTOCI	-	-	-	318,543,309	318,543,309
Trade and other receivables	15,614,443	49,104,422	19,218,289	-	83,937,154
Investments at FVTPL	53,303,619	-	-	-	53,303,619
Bank balances and cash	40,572,429	-	-	-	40,572,429
	109,490,491	49,104,422	19,218,289	318,543,309	496,356,511
Financial liabilities					
Trade and other payables	50,787,821	26,936,632	35,076,718	-	112,801,171
Finance lease liability	1,804,911	-	-	-	1,804,911
Bank borrowings	5,000,000	12,071,000	31,213,000	198,361,484	246,645,484
	57,592,732	39,007,632	66,289,718	198,361,484	361,251,566

26.9 Equity price risk

Sensitivity analysis

At the reporting date if the equity prices are 20% higher/lower as per the assumptions mentioned below and all the other variables were held constant, the Group's consolidated statements of income and comprehensive income would have increased/decreased by AED 9.6 million and by AED 52.0 million respectively (2016: AED 10.7 million and by AED 63.7 million respectively).

26. Financial instruments (continued)

26.9 Equity price risk (continued)

Method and assumptions for sensitivity analysis

- The sensitivity analysis has been done based on the exposure to equity price risk as at the reporting date.
- As at the reporting date if equity prices are 20% higher/lower on the market value uniformly for all equities while all other variables are held constant, the impact on profit or loss and other comprehensive income has been shown above.
- A 20% change in equity prices has been used to give a realistic assessment as a plausible event.

26.10 Price risk

The Group has exposure to market price risk which has significant impact on its revenue, results of operations and cash flows which can vary with fluctuations in the market prices. These are affected by factors outside the Group's control, including the market forces of supply and demand and regulatory issues. The Group mitigates the price risk through entering in to long term contracts with certain customers as well as focusing on new markets for export.

26.11 Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, differences can arise between book values and the fair value estimates. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

Fair value of financial instruments carried at amortised cost

Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined using similar valuation techniques and assumptions as used in the audited annual consolidated financial statements for the year ended 31 December 2016.

Fair value of the Group's financial assets that are measured at fair value on recurring basis

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined:

Notes to the consolidated financial statements
for the year ended 31 December 2017 (continued)

26. Financial instruments (continued)

26.11 Fair value measurements (continued)

Financial assets	Fair value as at 31 December 2017 AED	31 December 2016 AED	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
Investments carried at FVTOCI						
Quoted equity securities	**258,012,442**	309,833,384	Level 1	Quoted bid prices in an active market.	None	N/A
Unquoted equity securities	**2,010,630**	8,709,925	Level 3	Net assets valuation method.	Net assets value	Higher the net assets value of the investees, higher the fair value.
Financial assets at FVTPL						
Quoted equity securities	**48,185,055**	53,303,619	Level 1	Quoted bid prices in an active market.	None	N/A

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

26. Financial instruments (continued)

26.11 Fair value measurements (continued)

31 December 2017

	Level 1	**Level 2**	**Level 3**	**Total**
	AED	**AED**	**AED**	**AED**
Financial assets at FVTOCI				
Quoted equities	**258,012,442**	-	-	**258,012,442**
Unquoted equities	-	-	**2,010,630**	**2,010,630**
Financial assets at FVTPL				
Quoted equities	**48,185,055**	-	-	**48,185,055**
	306,197,497	-	**2,010,630**	**308,208,127**

31 December 2016

	Level 1	Level 2	Level 3	Total
	AED	AED	AED	AED
Financial assets at FVTOCI				
Quoted equities	309,833,384	-	-	309,833,384
Unquoted equities	-	-	8,709,925	8,709,925
Financial assets at FVTPL				
Quoted equities	53,303,619	-	-	53,303,619
	363,137,003	-	8,709,925	371,846,928

There were no transfers between the levels during the year. There are no financial liabilities which should be measured at fair value and accordingly no disclosure is made in the above table.

24.11.1 Reconciliation of level 3 fair value measurements

Below is a reconciliation of movements in level 3 financial assets measured at fair value:

	2017	2016
	AED	AED
Balance at the beginning of the year	**8,709,925**	8,209,925
Total (losses)/gain in other comprehensive income	**(629,543)**	500,000
Disposal	**(6,069,752)**	-
	2,010,630	8,709,925

27. Segment information

The Group is organised into two main business segments:

Manufacturing of white cement, lime products, cement products and investments incorporating investments in marketable equity securities, deposits with banks.

	2017			2016		
	Manufacturing AED	**Investments AED**	**Total AED**	Manufacturing AED	Investments AED	Total AED
Segment revenue	**253,174,916**	**-**	**253,174,916**	307,043,198	-	307,043,198
Segment result	**22,455,285**	**7,962,916**	**30,418,201**	31,371,853	10,831,047	42,202,900
Segment assets	**760,965,014**	**330,609,367**	**1,091,574,381**	803,202,630	402,535,323	1,205,737,953
Unallocated assets	**-**	**-**	**10,944,695**	-	-	9,884,034
Total assets			**1,102,519,076**			1,215,621,987
Segment liabilities	**334,589,938**	**-**	**334,589,938**	371,341,371	-	371,341,371
Depreciation	**34,654,905**	**-**	**34,654,905**	31,708,363	-	31,708,363
Finance costs	**7,389,326**	**-**	**7,389,326**	5,295,119	-	5,295,119

Segment result of investments segments includes dividends income and interest income. Also, material non-cash transactions disclosed in the consolidated statement of cash flows pertains to investments segment.

There are no transactions between the business segments.

Notes to the consolidated financial statements
for the year ended 31 December 2017 (continued)

27. Segment information (continued)

Geographical information

In presenting information on the basis of geographical areas, revenue is based on the geographical location of customers.

	2017 AED	2016 AED
United Arab Emirates	**114,066,462**	119,750,929
Gulf Cooperation Council countries	**80,590,085**	142,718,251
India	**36,756,352**	33,754,165
Indonesia	**9,466,765**	-
Jordan	**2,459,096**	662,701
Yemen	**1,452,542**	2,105,499
Other countries	**8,383,614**	8,051,653
	253,174,916	307,043,198

28. Social contributions

The social contributions (including donations and charity) made during the year amounted to AED 566,286 (2016: AED 484,026).

29. Approval of consolidated financial statements

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 3 March 2018.